even demonstrated that it can provide nondiscriminatory access to stand-alone xDSL-capable loops. Moreover, SBC has not yet demonstrated that it provides line sharing in a nondiscriminatory manner. And it has fallen far short of providing persuasive evidence that this and all the other problems discussed above should be overlooked or excused, just because certain advanced services activities are now being conducted through a "separate affiliate."

A. SBC's Performance Results Do Not Demonstrate Nondiscriminatory Provision of xDSL Loops.

1. SBC Is Not Successfully Providing Stand-Alone xDSL Loops.

71. SBC claims that it has made "significant improvement" over its "prior, compliant performance."[71] The withdrawal of its initial application, however, combined with the current claim of "improvement" implies what the Commission already knows: that the initial application was deficient. And despite SBC's claim, its "new" application fares no better.

72. SBC touts its provision of 5,000 loops (2,618 loops specifically for xDSL and 2,441 BRI) as proof of its ability to support effective competition.[72] SBC itself, however, concedes that these provisioning numbers are insubstantial[73] and thus attempts to rely on comparisons with the level of xDSL competition in New York as precedent for its meager efforts.[74] But the Commission's BA-NY Order bars such an effort. Whatever the merits of the Commission's decision to afford Bell Atlantic-New York a free pass on xDSL issues, the Commission was quite clear in directing that any future applications -- such as SBC's application here -- must include "a separate and comprehensive evidentiary showing with respect to the provision of xDSL-capable loops."[75] SBC has failed to make the required "separate and comprehensive" showing necessary to support a finding of checklist compliance. In fact, SBC's

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[71] See SBC Letter Br. at 9.
[72] Chapman/Dysart Supp. Aff. ¶¶ 5, 6.
[73] "The 2600 xDSL-specific loops are less than 5 percent of the 54,000 stand-alone unbundled loops provisioned in Texas, and less than 0.2 percent of all loops provisioned." See SBC Letter Br. at 12.
[74] Id.
[75] BA-NY Order ¶ 330.

performance data show that SBC has passed only three out of five of the critical xDSL measures identified by the Commission in the BA-NY Order.[76] This is an "F" by almost any standard.

73. SBC utterly fails to meet two critical and specific xDSL loop performance measurements: (i) missed installation appointments; and (ii) installation quality of xDSL loops provisioned. SBC's offers a litany of excuses for these failures. For example, SBC claims that: (1) the arbitration decision establishes deadlines that are unrealistic; (2) any lack of facilities concerns will be alleviated by line sharing; and (3) CLECs use non-standard xDSL technologies in an attempt to provide service to customers that cannot be provisioned. The 1996 Act, however, places the burden of proof on SBC. Finger pointing does not relieve SBC of its affirmative obligation to show, through evidence of performance predating the application, that it is fulfilling its legal obligations.

74. Missed Due Dates: SBC seeks to account for parity deficiencies in missed due dates on the ground that the performance measure is "systematically skewed due to SBC's nondiscriminatory (sic) use of interim line sharing." SBC Letter Br. at 12 (emphasis added). Yet elsewhere SBC openly admits that CLECs (unlike ILECs and their affiliates) "cannot be guaranteed of using an existing, already-tested and trouble-free loop for their DSL services . . . , must deploy a second line that may not yet exist or be hitherto untested . . . , and [will therefore experience] missed due dates and trouble reports . . . in greater numbers than for SWBT's own retail operations." Chapman/Dysart Supp. Aff. 8. This demonstrates SBC's fundamental misunderstanding of the term "nondiscriminatory," and underscores why it is having such difficulty presenting a credible 271 application.

75. Beyond this, SBC claims that it is currently trying to develop and implement new performance measures to capture its performance apart from the "systematic skewing" of results caused by making CLECs obtain second lines. Chapman/Dysart Supp. Aff ¶ 37. SBC's plans for future metrics and future performance, however, do not and cannot demonstrate that, as of the date of the present application, SBC had fully implemented its checklist obligations. SBC also

[76] Id. ¶ 335.

attempts to explain the missed due dates by alluding to issues of "work force availability." See id. ¶ 40. This appears to be an admission that SBC has not deployed a work force sufficient to allow it to meet the due dates that are required by law "as a result of the Covad/Rhythms Arbitration Award." See id. This and the other explanations SBC relies upon do not excuse SBC's poor performance. Rather, they underscore the need for the Commission to insist on satisfactory performance data *before* making any affirmative determinations on checklist compliance.

76. Installation Quality of xDSL Loops Provisioned: From September 1999 through February 2000, SWBT's performance for installation quality of xDSL loops (PM #59-08 (Percent Trouble Reports Within 30 Days)) was out of parity 50% of the time. Attempting to sidestep these unsatisfactory performance results, SBC claims -- but offers no proof to show -- that its high rate of trouble reports in several recent months "is directly attributable to the fact that many CLECs have elected to utilize non-standard xDSL technologies." Chapman/Dysart Supp. Aff. ¶ 41. Given that SBC's performance measures for trouble reports show a significant change from month to month, SBC's logic would lead to the conclusion that CLECs "elected to utilize non-standard xDSL technologies" in certain months (when SBC failed to meet its performance standard), but must have used standard technologies in other months (when SBC met the standard). This is highly improbable, but more importantly it is unproven. The Commission does not permit a BOC seeking long distance authority to shift its burden of proof simply by placing unsupported blame on its competitors.[77] Therefore, absent tangible proof of CLEC-caused error, SBC's accusation concerning non-standard technology cannot excuse SBC's failure to show satisfactory performance under PM 58-08.

77. SBC cannot run away from its own performance record. The company suggests that the Commission should wink at its failures because '[p]erformance measurement results . . . are not an end in themselves." Chapman/Dysart Supp. Aff. 4. Yet, in other contexts, where the

[77] See BA-NY Order ¶ 47 (noting that "the BOC applicant retains at all times the ultimate burden of proof that is application satisfies all of the requirements of section 271.").

measurements purportedly are met, however, SBC claims success. It simply cannot be that performance measures "count" only when SBC meets them.

2. CLECs Are Still Denied Line Sharing.

78. SBC claims that it will provide line sharing sometime in the near future and requests that the Commission accept this future event as proof of its 271 compliance. Indeed, the entire Cruz supplemental affidavit is nothing but promises of *future* performance. SBC, however, must demonstrate that it currently provides line sharing to competing carriers to the same extent that it provides line sharing to itself and its affiliates. Even though the Line Sharing Order is not yet in effect, the statutory prohibition on discrimination still applies, and SBC has no license to engage in the discrimination that the Act forbids. SBC currently provides line sharing to itself or an affiliate; thus, SBC must show that it affords the same opportunity to competing carriers. Items 2 and 4 of the competitive checklist require nothing less. SBC's present failure to provide line sharing confirms that its application is premature. SBC has control over its own actions in the marketplace as well as the timing of any 271 applications. SBC, therefore, must demonstrate that it is providing no less than nondiscriminatory access to line sharing functionality to all classes of competing carriers before it can be granted 271 relief.[78]

79. Moreover, recent CLEC discussions with SBC representatives demonstrate that SBC has not yet negotiated and resolved OSS procedures that are necessary to a line-sharing environment. For example, although SBC is required to do so, it has not complied with its obligation under the merger (SBC/Ameritech Merger Condition ¶ 15c(2)) to address in a plan of record all OSS issues related to pre-ordering, ordering, and provisioning for advanced services, including those services utilized in a line-sharing environment.[79] Among other complaints, the CLECs have shown, for example, that SBC has not provided sufficient detail regarding issues related to ordering in a line-sharing environment. As a result, the CLECs are rightly concerned

[78] This requirement is clearly not met by allowing CLECs to purchase second loops at a discount from the TELRIC rate. See Chapman/Dysart Supp. Aff. ¶ 9. As discussed above, the provisioning of second loops has been the source of delays and other customer inconveniences.

[79] See generally CLEC Report on Advanced Services OSS Plan of Record.

that they may be precluded from fully exercising their rights to line share under the Commission's rules.[80] In addition, as noted in Section III.B. above, CLECs have also cited SBC's intransigence in preventing UNE-P carriers from providing advanced services. Id.

B. SBC's Separate Affiliate Cannot Ensure Nondiscrimination.

80. Perhaps recognizing the weakness of its evidentiary showing on performance data, SBC relies heavily on its creation of a separate affiliate, ASI, as an alternative means of demonstrating its compliance with the requirement of nondiscriminatory access to unbundled xDSL-capable loops. See SBC Letter Br. at 11, 15-16; see generally Brown Supp. Aff. Despite its talismanic repetition of that claim, SBC's reliance on its creation of a separate affiliate is wholly inadequate to satisfy Section 271.

81. SBC's responsibility is to show, among other things, that it provides "nondiscriminatory access to network elements . . . ," 47 U.S.C. § 271(c)(2)(B)(ii), not that it has established a separate affiliate. Thus, *the existence of ASI is relevant only insofar as it proves that SBC is in fact meeting its nondiscrimination obligations.* For a number of reasons, it cannot do so.

82. First, ASI was created to meet conditions attached to a merger, *not* to satisfy the requirements of Section 251 or 271. Indeed, in adopting the merger conditions, the Commission was emphatic that compliance with the merger conditions did not represent a determination of what is required by the Communications Act, including in particular sections 251 and 271.[81] Thus, a claim of compliance with the merger conditions (even if true) would prove *nothing* relevant to SBC's current application.

83. Second, during the initial phase of ASI operations, it was scarcely separate at all. Most telling on this point was SBC's *ex parte* letter concerning the scope of the "transitional" exceptions. That letter discussed a number of the activities that SWBT was permitted to perform

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[80] Id. at 18.

[81] SBC/Ameritech Merger Order ¶ 357 (merger conditions do not constitute "an interpretation of [SBC's legal obligations under] the Communications Act, especially Section 251, 252, 271, and 272 or the Commission's rules") (emphasis added); see id. ¶¶ 356, 511.

for ASI on an "exclusive" (that is, *discriminatory*) basis: "network planning, engineering, design, and assignment services . . . including the maintenance of customer records." SBC's counsel said it as well as it could be said: "The SBC ILECs may take the order, design the service, assign the equipment, and create and maintain all necessary records, using its own systems and databases. *There is simply nothing left for ASI to do . . . .*"[82] Thus, SBC's actions during the transition period, which continued until the date of the revised application, are wholly inadequate to show compliance with the nondiscrimination requirements of the competitive checklist.

84. Third, now that the initial 180-day transition period has ended (as of April 5, 2000), ASI is still not really separate. Although SBC claims that ASI "will function *in nearly every respect* like an unaffiliated carrier" Brown Supp. Aff. ¶ 13 (emphasis added), SBC elsewhere acknowledges that SWBT may receive and process advanced service related trouble reports and perform related trouble isolation for ASI on an "exclusive" (that is, *discriminatory*) basis for up to another six months. Brown Supp. Aff. ¶ 9. Moreover, even thereafter ASI will benefit not only from joint marketing of SWBT's services and SWBT's joint marketing of ASI's services but also from "certain customer care functions after the sale."[83] Brown Supp. Aff. ¶ 14. More troubling still, although the SBC/Ameritech Merger Conditions expressly provide that the "transition" period expired 180 days after that merger's closing (*i.e.*, in early April 2000), SBC has claimed[84] that its ILECs may continue to provide ASI with "exclusive" (that is, *discriminatory*) access to network planning and engineering resources "until line sharing is provided to unaffiliated providers of advanced services" in a particular area. That interpretation -

[82] Letter from Marian Dyer to Magalie Roman Salas, Secretary, Federal Communications Commission (Feb. 16, 2000) submitting February 15, 2000 Ex Parte letter to Carol E. Mattey ("2/15 Ex Parte") (emphasis added) at 7, attached hereto as Attachment 10.

[83] SBC is quite wrong in believing that the authorization for "joint marketing" also includes post-sale customer care. No reasonable construction of the term "marketing" includes post-sale activities. Dictionary definitions of the term limit it to "activity involved in the moving of goods from the producer to the consumer" and do not refer to activities after goods reach a purchaser's hands. Webster's New World Dictionary (1984).

[84] 2/15 Ex Parte at 2 n.2 & 3.

- although patently incorrect[85] -- would permit SBC to continue to discriminate in favor of ASI for months to come. As DOJ has noted, this "confers" a significant competitive advantage on ASI, particularly in negotiating for collocation space, a scarce and valuable resource.[86]

85. Fourth, SBC has not acknowledged the many ways in which ASI will obtain residual benefits of those transitional preferences that have now expired. By SBC's reckoning, the merger conditions allowed "the SBC ILECs [to] arrange collocation for ASI on an exclusive [that is, *discriminatory*] basis for 180 days following the merger closing, using 'exclusive' processes that are not available to CLECs." 2/15 Ex Parte at 4. But the benefits to ASI of having had its collocation arrangements handled on an "exclusive" (that is, *discriminatory*) basis did not expire on Day 180. That equipment continues to operate and to serve the needs of ASI, even as unaffiliated competitors continue to wait for their collocation requests to be processed and implemented. In addition, ASI -- unlike any other xDSL provider -- has been handed a large installed base of customers and equipment. In Texas, that base dwarfs *all* of the customers of *all* of the other providers of comparable services, combined.

86. Fifth, as of the date of the application, ASI -- but no CLEC -- enjoyed the efficiency of exclusive (that is, *discriminatory*) line sharing with SWBT. And, as discussed above, SBC has now admitted that this opportunity is "directly" linked to competitive disparities that have not yet been "alleviated."[87]

87. Sixth, the merger conditions allow SWBT to provide ASI -- on a continuing basis -- a class of support services that the Commission previously found are especially pregnant with potential for anticompetitive abuse. The SBC/Ameritech Merger Order allows SBC's ILECs to provide operating, installation, and maintenance ("OI&M") services, on a continuing basis, provided they are also made available to others on the same terms and conditions.[88] But, in the

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[85] See Letter from Frank S. Simone, Government Affairs Director, AT&T Corp., to Magalie Roman Salas, Secretary, Federal Communications Commission (Mar. 31, 2000), attached hereto as Attachment 11.

[86] DOJ 3/20 Ex Parte Eval. at 7.

[87] Chapman/Dysart Supp. Aff. ¶ 36.

[88] SBC/Ameritech Merger Order ¶ 473, App. C. ¶¶ 3-4.

Non-Accounting Safeguards Order, the Commission found that "[a]llowing a BOC to contract with [its] affiliate for operating, installation, and maintenance services would *inevitably afford the affiliate access to the BOC's facilities that is superior to that granted the affiliate's competitors*."[89] The Commission has never revised that finding, and has no basis upon which to do so here.[90] Moreover, the Non-Accounting Safeguards Order not only held that permitting a BOC and its affiliate to share, OI&M services would inexorably lead to discrimination, the Commission also ruled that such integration would require "excessive, costly, and burdensome regulatory involvement . . . to audit and monitor."[91]

88. Seventh, the merger conditions eviscerate one of the most important benefits of structural separation by eliminating the transaction-disclosure requirement of Section 272. Structural separation does not alter a BOC's incentives or ability to discriminate; rather, by increasing the visibility of affiliate transactions, it may deter discrimination, or at least make it easier to detect when it does occur. That is why the separate affiliate requirements crafted by Congress include a provision requiring not only arm's-length dealings, but also that "any such transactions be reduced to writing and available for public inspection." 47 U.S.C. § 272(b)(5). The merger conditions, by contrast, do *not* require disclosure of each transaction between SBC and ASI, but only of the general contractual framework of their dealings.[92] Thus, neither CLECs nor regulators will be able to determine whether SBC and ASI's dealings are lawful, and CLECs will not be able to determine whether they wish to avail themselves of similar services, terms and conditions from SBC. To make matters worse, SBC has taken an exceedingly narrow view of the disclosure requirements under the merger conditions. As can be seen from the examples attached to our prior declaration,[93] SBC's disclosures are woefully lacking and neither

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[89] Non-Accounting Safeguards Order ¶ 163 (emphasis added)
[90] AT&T discussed the failings of the merger's order's reasoning on OI&M issues at length in an ex parte submission in the BA-NY proceeding. See letter from Robert W. Quinn, Jr., AT&T, to Magalie Roman Salas, FCC, CC Docket No. 99-295 at 26-29 (Dec. 17, 1999) ("12/17 Ex Parte") attached hereto as Attachment 12.
[91] Non-Accounting Safeguards Order ¶ 163.
[92] 12/17 Ex Parte at 30-31, attached hereto as Attachment 12.
[93] Initial Pfau/Chambers Decl. ¶¶ 87-88 .

competitors nor the Commission can possibly determine even the basic framework of their dealings. The result is to shield SBC-ASI dealings from scrutiny and greatly reduce the potential for deterring or detecting discrimination.

89. Eighth, and most important of all from AT&T's perspective, the separate affiliate is of no conceivable utility in addressing the needs of a carrier that wishes to compete not just with ASI but also with SWBT.[94] The principle underlying the requirement of a separate affiliate is that if (and only if) SWBT treats its affiliate and those who compete with the affiliate the same, problems of discrimination can be avoided. But this principle does not fully apply to a situation in which ASI's competitors may wish to provide "flavors" of xDSL service that ASI chooses not to support, and it is utterly irrelevant to situations where a company, such as AT&T, simultaneously wishes to compete -- not just with the separate affiliate, but also with the voice services furnished by SWBT, and the bundles of SWBT and ASI services that *both* of those entities are free to market. In such circumstances, separation serves less as a wall of protection than as a vehicle for evading regulation and otherwise gaming the process. There is no way that *any* structural separation, no matter how rigorous, could prevent discrimination in such circumstances. And the fact that SBC intends to have ASI continue its practice of refusing to provide xDSL service to customers who prefer to receive voice service from an SBC competitor underscores that ASI will not "operate independently" from SWBT.[95] If ASI were truly operating "like a CLEC," it plainly would not elect to give up an existing customer (and the attendant revenues) merely because that user changed his or her voice provider.

90. Finally, proof of the existence of a "fully operational" separate affiliate necessarily requires a record of actual experience that could be evaluated to see whether the reliance on the separate affiliate is in fact achieving its stated ends. SBC's premature new application -- filed on the very day that the 180-day transitional period ended -- cannot possibly

[94] See DOJ Reply Comments at 25 n.69 ("a separate affiliate provides no assurance of adequate performance in situations where a CLEC seeks access to unbundled elements in order to provide a service that the separate affiliate does not provide") (emphasis in original).
[95] ASI's lack of independence from SBC was further demonstrated when ASI was the *only* "CLEC" that failed to attend the recent TPUC Workshop. See 4/13/2000 TPUC Workshop at 180-182, attached hereto as Attachment 3.

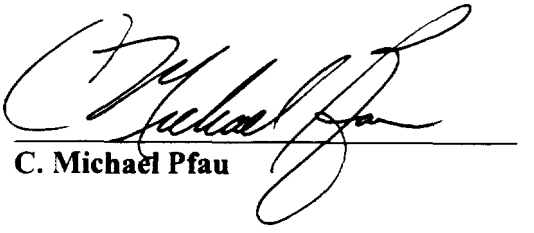
document SWBT's performance after the expiration of those provisions. But only wishful thinking, and a triumph of hope over experience, could lead anyone to believe that use of a separate affiliate will put an end to the many problems described here and in our prior declaration. Indeed, many of the issues we have identified, including SWBT's "slow-rolling" competitors' entry for more than a year, its obstruction of the arbitration process, and its implementation of its network architectures in a manner that serves the interests of its affiliate but not unaffiliated CLECs, are wholly unaffected by SWBT's implementation of an advanced services affiliate.

VI. CONCLUSION

91. SBC has again failed to carry its burden of proof regarding xDSL issues. To the contrary, the record is clear that SBC is using the burgeoning demand for xDSL services as an opportunity to strengthen its monopoly in Texas and to hinder CLECs' ability to compete by all means available. These problems are most acute in the context of UNE-P, where SBC has adamantly refused -- despite its explicit representation to the Commission to the contrary -- to provide AT&T a nondiscriminatory means to use the full capabilities of its UNE-P loops. Accordingly, the Commission cannot find that SBC has met its obligation to fully implement checklist items 2 and 4. Nor, given the adverse competitive impact of SBC's unilateral ability to provide bundles of voice and data to the mass market, can the Commission find that approval of SBC's application is in the public interest.

CC DOCKET 00-65

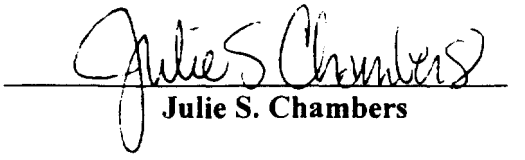
I declare under penalty of perjury that the foregoing is true and correct. Executed on April 25, 2000.



C. Michael Pfau

CC DOCKET 00-65

I declare under penalty of perjury that the foregoing is true and correct. Executed on April 25, 2000.



Julie S. Chambers

ATTACHMENT 1 TO SUPPLEMENTAL DECLARATION OF C. MICHAEL PFAU AND JULIE S. CHAMBERS

News Center

News Release

SBC Launches $6 Billion Broadband Initiative

'Pronto' to Provide 'e-Tone' - Dialtone for the Internet - to 77 Million Americans, Accelerate Company's Move to Advanced Voice, Data, Video Converged Network

Pronto First of Many Benefits of Ameritech Merger

San Antonio, Texas, October 18, 1999

SBC Communications Inc. today announced an unprecedented, $6 billion initiative designed to transform the company over the next three years into the largest single provider of advanced broadband services in America, making super-fast, always-on Internet access available to nearly all of its customers and creating a platform to deliver next-generation, broadband-powered services.

The initiative - called Project Pronto - is the first of many SBC will undertake to secure the benefits of its recent acquisition of Ameritech for customers and shareholders. Specifically, SBC intends to:

- Provide an estimated 77 million Americans - about 80 percent of its Ameritech, Nevada Bell, Pacific Bell, SNET and Southwestern Bell customers - with always-on, high-speed voice, data and video services via faster Digital Subscriber Line (DSL) services than it currently offers by the end of 2002. Ultimately, the company intends to make broadband services available to all of its customers.
- Rearchitect its network to push fiber deeper into the neighborhoods it serves and accelerate the convergence of its voice and data backbone systems into a next-generation, packet-switched, designed-for-the-Internet network. Together with the advanced, long-haul network of Williams Communications Inc., with which SBC has a strategic alliance, SBC will be able to provide end-to-end advanced voice, data and video services on one of the most sophisticated, efficient, flexible and scalable networks in the industry.
- Dramatically reduce its network cost structure. Expense and capital savings alone are expected to offset the cost of the entire initiative.
- Create a platform to deliver next-generation services including, potentially, entertainment quality video, and expand development and marketing to more quickly bring customers such emerging products as Voice-over-ADSL, personal videoconferencing, interactive online games and home networking.

"This initiative is about the future - about building a new company around how all of our residential and business customers use, and will use, the Internet while providing them with dialtone-like reliability," said Edward E. Whitacre, Jr., chairman and chief executive officer of SBC. "It is also about giving SBC the opportunity to continue to capitalize on incredible growth in data and broadband services and achieve significantly more operating and cost efficiencies well into the next millennium.

"We see a rapidly changing marketplace where traditional dialtone is still a staple service, but where millions of our customers will demand the convenience, productivity, availability and reliability of our broadband service - service which we call 'e-tone,'" said Whitacre. "With Project Pronto, SBC will lead the nation in speeding the widespread availability and meeting the demand for broadband and emerging broadband-powered services."

With the completion of its recent acquisition of Ameritech, SBC is one of the largest

With the completion of its recent acquisition of Ameritech, SBC is one of the largest telecommunications providers, serving approximately 100 million people or about one-third of the nation's access lines.

"By converting the 'last mile' into a high-speed 'first mile' on-ramp to the Internet, we are making nearly all of our approximately 60 million access lines more powerful for customers and more valuable to shareowners," Whitacre said. "Project Pronto, together with our expanding service footprint and plans to provide long-distance service, is an integral part of our plan to be a full-service, global provider and the only communications company our customers need."

"e-Tone" Unlocks Promise of the Internet

Today, SBC's DSL broadband service features Internet connectivity speeds that are up to 200 times faster than traditional access, allowing for near instantaneous downloads of files and graphics, and effectively ending the "World Wide Wait." It also provides "always-on" connectivity that eliminates frustrating and time-consuming dial-up connections to Internet Service Providers (ISPs) or corporate Local Area Networks (LANs) and makes the computer a true, real-time information appliance.

In the near future, mass availability of broadband service will spur demand by consumers for broadband-dependent applications, such as video messaging, home networking and in-home cordless web devices. It will become a catalyst for small businesses to become e-businesses by providing them with affordable technology. For schools and libraries, readily available broadband service will help bridge the "Digital Divide" and ensure youth of today are prepared for the Internet world of tomorrow. And, it will revolutionize the way Americans work by making telecommuting an even more attractive, productive and common work alternative.

New Broadband Network Increases Reach, Speed of SBC's DSL Service

Project Pronto is creating a vast, sophisticated broadband platform to enable SBC to make DSL service available to the vast majority of its customers in cities large and small over the next three years, and offer new and more powerful broadband-powered services in years to come. The new platform will evolve via a multi-pronged approach:

- In the major metropolitan markets where SBC has begun deploying DSL, the company plans to equip its additional central offices with DSL equipment.
- In these markets, SBC also plans to push fiber deeper into its neighborhoods and install or upgrade "neighborhood broadband gateways" containing digital electronics - essentially pushing network capabilities now housed in central offices closer to customers. The redesign of the local network will eliminate distance constraints that currently limit service reach and enable SBC to provide nearly all customers with DSL service, traditional phone service and next-generation services, all from a single, integrated platform.
- In additional towns and cities outside of major metropolitan areas, SBC plans to deploy DSL services by 2002; however, it will name these markets at a later date.

Earlier this year, SBC announced its plans to deploy DSL in more than 500 central offices. The company will meet this commitment in early November, making DSL service available to nearly 10 million customer locations in Texas, California, Nevada, Missouri and Arkansas. At the completion of Project Pronto, SBC's goal is to quadruple its DSL deployment - equipping approximately 1,400 central offices with DSL technology, laying more than 12,000 miles of fiber sheath, installing or upgrading 25,000 neighborhood broadband gateways - and reach an estimated 77 million Americans in nearly 35 million customer locations in 13 states.

As a result of expanded deployment, SBC customers will be able to receive minimum downstream connection speeds of 1.5 megabits per second (Mbps), with more than 60 percent eligible to receive guaranteed speeds of 6.0 Mbps. The higher speeds will give SBC the capacity to offer numerous personal computer (PC) based video products including video streaming and videoconferencing; in fact, at 6.0 Mbps speeds, users

can receive the highest quality video available over a PC. Today, the company's basic DSL service guarantees minimum downstream connections of 384 Kbps or 1.5 Mbps, depending on the package purchased.

Next year, SBC intends to offer advanced broadband-powered services such as:

- **Voice-over-ADSL**, which will provide four additional voice lines, in addition to a DSL line and a primary voice line - all over a single line. SBC is looking at technologies that will allow it to offer, in the future, a similar product that will provide up to 16 additional voice lines over a symmetrical DSL line.
- **Switched Virtual Circuit**, which will allow telecommuters to easily switch between their Internet Service Provider (ISP) and their corporate Local Area Network (LAN) without rebooting their computer.
- **HDSL**, which will feature minimum 1.5 Mbps upstream and downstream connections, allowing teleworkers to send and receive data-intensive files.

For many of its business customers, SBC intends to transition its existing copper connections to their premises with state-of-the art fiber optics, enhancing their ability to receive advanced data services and giving them virtually unlimited bandwidth that they can dynamically control.

Business customers will benefit from SBC's line-up of broadband-powered services including Online Office, a suite of services that helps small businesses easily and affordably become e-businesses, and Enterprise Virtual Private Network, a suite of equipment and services that allows large businesses to securely connect multiple locations without expensive, dedicated lines.

"With e-tone, we have a powerful way to retain and attract customers in an increasingly competitive market," said James D. Gallemore, executive vice president of strategic marketing and planning for SBC. "It will enable customers to easily access hundreds of emerging, broadband-dependent products and services, and it makes our current integrated packages of services even more compelling. e-Tone also will change the way America goes to work."

In related announcements (see separate releases for details), SBC today said it will:

- Provide as many as 15,000 IBM telecommuting employees remote access to IBM's corporate network via DSL service in select areas. According to industry analysts, this agreement is the largest announced high-speed remote network application of its kind anywhere.
- Provide high-speed DSL Internet access to thousands of E*TRADE's most active investors, enabling them to react more quickly and effectively to breaking financial market news and benefit from E*TRADE's rich content offerings.

SBC recently announced a similar agreement for thousands of PeopleSoft's telecommuting employees.

Gallemore added that in addition to offering the services and integrated packages business and residential customers want, SBC will be first to market, ahead of competitors.

"All we need is long distance, which is just around the corner," said Gallemore, "to provide consumers and businesses with their total communications needs."

Company Aggressively Migrates to Converged Voice, Data, Video Network

In addition, Pronto is an important step in the company's migration to a converged voice, data and video network, which will be predominantly packet-switched and utilize an Asynchronous Transfer Mode (ATM) distributed network system (ADNS) architecture.

As part of the ADNS architecture, the company plans to deploy the most-advanced,

voice-switching technology available today, voice trunking over ATM (VTOA), which will allow the company to efficiently transport voice as it does data communications - via packets - without degradation in call quality or reliability. SBC, working in conjunction with leading equipment manufacturers, has spearheaded the development and testing of VTOA technology and intends to begin field trials next year in Houston and Los Angeles. Upon the successful completion of these trials, SBC plans to complete its VTOA deployment in its largest markets by 2004.

The VTOA technology will result in significantly increased network productivity and scalability, allowing the company to keep pace with skyrocketing volumes of data traffic, offer a full range of voice and data services such as private lines and virtual private networks, and in the future, incorporate a full range of even more advanced technologies.

Importantly, the VTOA technology results in significant cost savings by greatly reducing any future investment in traditional tandem circuit-switched equipment and improving trunking efficiency by 50 percent.

"We are taking aggressive steps to ensure that SBC's network remains among the most-advanced and cost-efficient in the industry and that we can serve our customers' needs well into the millennium with the same quality and reliability they receive today," said Whitacre.

"Also, while other service providers tout their next-generation networks, only SBC will have all the pieces to provide end-to-end service," said Whitacre. "Our network combined with the long-haul network of Williams, which has one of the newest and highest-quality networks in the world, will allow SBC to offer both a first-class network and the breadth of reliable and advanced products and services that customers want."

Pronto Increases Shareowner Value

SBC's more than $6 billion Project Pronto investment is targeted to decrease future capital requirements, reduce network operating expenses, and generate $3.5 billion in new revenues by 2004.

"With our Project Pronto broadband deployment and the accelerated pace of our national markets rollout, SBC is targeting double-digit annual revenue growth by 2001 with strong 8 percent to 9 percent growth in 2000. This is at least a 100-basis-point improvement over SBC's previous plans," said Donald E. Kiernan, chief financial officer for SBC. "Even as we make these value-creating investments in broadband capability and the national expansion into 30 additional major markets, SBC's goal is to achieve mid-single-digit earnings growth in 2000 before one-time items. Driven by the strong top-line revenue growth from our broadband and national markets growth initiatives, we are targeting 15 percent earnings growth in 2001 and beyond."

Kiernan added that, "Pronto cements our industry leadership by essentially reconfiguring SBC into a broadband-services company, and creates a rock-solid platform from which we can launch new revenue-generating services while dramatically reducing our cost structure. Importantly, the network efficiencies and reduction in capital needs we expect to gain as a result of Project Pronto will mean that this project will pay for itself, while enabling SBC to compete even more effectively in the future and enhance long-term shareowner value. In fact, we expect it will create in excess of $10 billion in value."

SBC Communications Inc. (www.sbc.com) is a global communications leader. Through its trusted brands - Southwestern Bell, Ameritech, Pacific Bell, SBC Telecom, Nevada Bell, SNET and Cellular One - and world-class network, SBC provides local and long-distance phone service, wireless and data communications, paging, high-speed Internet access and messaging, cable and satellite television, security services and telecommunications equipment, as well as directory advertising and publishing. In the United States, the company currently has 59 million access lines, 10.1 million wireless customers and is undertaking a national expansion program that will bring SBC service to an additional 30 markets. Internationally, SBC has telecommunications investments in 22 countries. With more than 200,000 employees, SBC is the 14th largest employer in the U.S., with annual revenues that rank it among the largest Fortune 500

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Information set forth in this news release contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in SBC's filings with the Securities and Exchange Commission. SBC disclaims any obligation to update or revise statements contained in this news release based on new information or otherwise.